

**REPORT OF THE AUDIT OF THE  
MONROE COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
May 1, 2008 Through April 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MONROE COUNTY**  
**SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period**  
**May 1, 2008 Through April 30, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Monroe County Sheriff for the period May 1, 2008 through April 30, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,878,223 for the districts for 2008 taxes, retaining commissions of \$111,511 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,763,735 to the districts for 2008 taxes. Taxes of \$9 are due to the districts from the Sheriff.

**Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Wilbur Graves, Monroe County Judge/Executive

Honorable Jerry Gee, Monroe County Sheriff

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the Monroe County Sheriff's Settlement - 2008 Taxes for the period May 1, 2008 through April 30, 2009. This tax settlement is the responsibility of the Monroe County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Monroe County Sheriff's taxes charged, credited, and paid for the period May 1, 2008 through April 30, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Wilbur Graves, Monroe County Judge/Executive  
Honorable Jerry Gee, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

October 8, 2009



MONROE COUNTY  
JERRY GEE, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period May 1, 2008 Through April 30, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 233,896	\$ 563,476	\$ 1,161,505	\$ 324,265
Tangible Personal Property	28,576	73,611	124,730	89,938
Fire Protection	1,757			
Franchise Taxes	43,049	106,573	195,046	
Additional Billings	107	259	533	149
Oil and Gas Property Taxes	65	157	324	90
Limestone, Sand and Mineral Reserves	58	284	286	80
Penalties	2,260	5,433	11,134	3,322
Adjusted to Sheriff's Receipt	(2)	136	215	(1)
Gross Chargeable to Sheriff	<u>309,766</u>	<u>749,929</u>	<u>1,493,773</u>	<u>417,843</u>
<u>Credits</u>				
Exonerations	504	1,221	2,487	704
Discounts	3,803	9,171	18,499	6,100
Delinquents:				
Real Estate	5,115	12,256	25,264	7,053
Tangible Personal Property	27	69	118	48
Franchise Taxes	91	191	367	
Total Credits	<u>9,540</u>	<u>22,908</u>	<u>46,735</u>	<u>13,905</u>
Taxes Collected	300,226	727,021	1,447,038	403,938
Less: Commissions *	<u>13,047</u>	<u>30,363</u>	<u>50,646</u>	<u>17,455</u>
Taxes Due	287,179	696,658	1,396,392	386,483
Taxes Paid	286,914	696,039	1,395,067	385,715
Refunds (Current and Prior Year)	<u>265</u>	<u>610</u>	<u>1,325</u>	<u>768</u>
Due Districts		**		
as of Completion of Audit	<u>\$ 0</u>	<u>\$ 9</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* and \*\* See Next Page.

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY  
JERRY GEE, SHERIFF  
SHERIFF'S SETTLEMENT – 2008 TAXES  
For The Period May 1, 2008 Through April 30, 2009  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,207,071
4% on	\$	214,114
3.5% on	\$	1,447,038

\*\* Special Taxing Districts:

Ambulance District	\$	<u>9</u>
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MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Monroe County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 30, 2009  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Monroe County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 8, 2008 through April 30, 2009.

Note 4. Interest Income

The Monroe County Sheriff earned \$2,174 as interest income on 2008 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of October 8, 2009, the Sheriff owed \$160 in interest to the school district and \$60 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Monroe County Sheriff collected \$17,505 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Monroe County Sheriff collected \$435 of advertising costs and \$1,893 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of October 8, 2009, the Sheriff owed \$2,328 in advertising costs and advertising fees to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Wilbur Graves, Monroe County Judge/Executive  
Honorable Jerry Gee, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Monroe County Sheriff's Settlement - 2008 Taxes for the period May 1, 2008 through April 30, 2009, and have issued our report thereon dated October 8, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Monroe County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Monroe County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Monroe County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Sheriff's Settlement - 2008 Taxes for the period May 1, 2008 through April 30, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Monroe County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

October 8, 2009



COMMENT AND RECOMMENDATION



MONROE COUNTY  
JERRY GEE, SHERIFF  
COMMENT AND RECOMMENDATION

For The Period May 1, 2008 Through April 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation of Duties

The Sheriff's office has a lack of segregation of duties over receipts and disbursements. The Sheriff's bookkeeper collects payments from customers, prepares monthly tax reports, and prepares daily deposits. She also takes the deposits to the bank. Upon preparation of the monthly reports, the bookkeeper prepares checks for payment and signs the checks. Furthermore, documentation of monthly bank reconciliations is not prepared.

Adequate segregation of duties would prevent the same person from having a significant role in the process, recording, and reporting of receipts and disbursements. We recommend the Sheriff implement compensating controls to offset this lack of segregation of duties and document those compensating control by initialing his reviews. We further recommend the Sheriff perform and document monthly bank reconciliations.

*Sheriff's Response:* None.

